

Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2018

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Directors' Report

The names of the directors of the Company during the half-year and as at the date of this report are:

Rhoderick G J Grivas
Non-Executive Chairman

BSc (Geology), MAusIMM

James E Marsh
Managing Director

BSc (Hons), MAusIMM

Nicholas J Harding
Executive Director and Company Secretary

F CPA, F Fin, AGIA, ACIS

Andrew N Shearer
Non-Executive Director and Audit and Risk Committee Chairman

BSc (Geology), Hons (Geophysics), MBA

Operating and Financial Review

Strategy

To achieve the goal of growing shareholder wealth, Andromeda Metals' directors have formulated a company strategy comprising the following key elements:

- The Company will maintain a focus on advancing the Poochera Halloysite-Kaolin Project from Scoping and Prefeasibility Studies through to eventual development and production, should final modelling determine this to be commercially viable. Consideration of a number of production streams, including direct shipping of raw ore, product beneficiation on site of raw material and possible downstream production of high purity alumina (HPA) product most likely overseas, will be considered. Directors see the market for quality halloysite-kaolin product and HPA to be growing rapidly, and that the Poochera Project is a world-class deposit capable of supplying this rapidly expanding market.
- The Company will fund research to assist in the development of new market opportunities for halloysite-kaolin given the high purity halloysite found at Poochera and Camel Lake and the forecast growth in demand for the product in emerging markets.
- The Board believes it is in shareholders' best interests to divest or enter joint venture arrangements for its current portfolio of gold and copper projects in order to allow Andromeda Metals to focus on the advancement of the Poochera Project. To that end, during the six months to 31 December 2018 the Company announced Joint Venture Agreements executed with Evolution Mining Limited over the Drummond Epithermal Gold Project and Environmental Metals Recovery Pty Ltd over the northern part of the Moonta Copper-Gold Project.
- The Company will continue to adhere to principles of good corporate governance, caring for its employees, conducting its operations in an environmentally sensitive manner, and maintaining respect for other stakeholders and for the communities in which it operates.

Financial Results

The net result of operations for the six months ending 31 December 2018 was a loss after income tax of \$133,990 (2017: loss of \$480,959).

Exploration and evaluation expenditure for the six months was \$859,945 (2017: \$476,232), the majority of which was directed towards the advancement of the Poochera Halloysite-Kaolin Project. Administration expenses and employee benefits for the six months totalled \$527,565 (2017: \$474,617) which is inclusive of the valuation of options issued to executive directors. At 31 December 2018 the Company held cash and cash equivalents totalling \$1,005,807 (2017: \$1,687,019).

In August 2018 the Company completed a Share Placement with subscribers receiving shares issued at 0.6 cents raising a total of \$1,100,000 before costs.

Review of Operations

During the half-year ended 31 December 2018 Andromeda Metals' exploration and evaluation effort was directed predominantly towards advancing the Poochera Halloysite-Kaolin Project. In addition, some positive initiatives were made with a number of the Company's other gold and copper exploration projects over the six month period.

Poochera Halloysite-Kaolin Project

Following the exercising of the option by the Company in June 2018 to acquire up to a 75% equity interest in the world class Poochera Halloysite-Kaolin Project in South Australia under a Joint Venture Agreement with Minotaur Exploration Limited (MEP), considerable progress was made by ADN to advance the project over the six months to December 2018.

The Poochera Project includes the Carey's Well deposit, a high quality halloysite-kaolin resource with potential to manufacture high purity alumina (HPA). HPA is a new age material critical in the manufacture of high-tech products in the battery technologies and energy storage sector, LED lighting industry and sapphire glass used in smart phones and TV screens. Carey's Well also contains halloysite, a form of kaolin with a nanotube structure, and which has strengthening applications in the ceramics and cement industries and presents niche market opportunities in the nanotechnology sector.

In August 2018 an upgrade of the Carey's Well Mineral Resource to 2012 JORC guidelines was announced which gave an increase from the previous 2004 JORC resource from 16.3 million tonnes to 23.9 million tonnes of bright white kaolinised granite using an ISO Brightness R457 cut-off of 75 for minus 45 micron kaolin product. Subsequent to the end of the half year, on 12 February 2019 a further update to the Mineral Resource was released which reported a halloysite content of 9.7 million tonnes contained within the bright white kaolinised granite deposit at Carey's Well.

During the half year, testing performed on Poochera halloysite kaolin returned a 99.99% 4N purity Al_2O_3 premium grade product confirming that Carey's Well material is suitable for HPA manufacture using only a single purification stage, thus providing significant capital and operating savings for a potential future HPA production plant.

During October 2018 a bulk sample of 215 tonnes of halloysite kaolin ore was extracted from Carey's Well to be used for commercial scale wet and dry processing in China and Australia with the aim to lock in binding long-term contracts for supply of direct shipping ore (DSO) and fully processed product.

Successful dry processing trials were performed in Western Australia on 40 tonnes of the bulk sample material extracted. The results obtained have indicated that this method of processing could be used to produce a final product for sale into the market, with processed samples to be sent to potential customers for evaluation.

In addition, 140 tonnes of the bulk sample material was shipped to China ahead of commercial scale testing through a wet processing facility with resultant processed product to be provided to end-use ceramic customers for evaluation.

Work has commenced on upgrading an original internal Scoping Study prepared by MEP. A formal new Scoping Study for Carey's Well is scheduled for release in the first half of 2019 before moving to more detailed Feasibility Studies and permitting for the project.

Drummond Epithermal Gold Project

On 31 August 2018 a binding Earn-in and Exploration Joint Venture Agreement was executed with Evolution Mining Limited (EVN) over the Drummond Gold Project which will see EVN spend up to \$6.5 million over four years to earn up to 80% equity in the project. The principal terms of the agreement include:

- EVN to pay ADN a non-refundable cash consideration of \$300,000 within 10 days of signing the Joint Venture Agreement;
- EVN can earn an initial 51% equity interest in the project by sole funding \$2.0 million on exploration activities across the project tenements within 2 years of execution of the Joint Venture Agreement (Stage 1 Commitment);
- On completion of Stage 1, EVN may elect to acquire an additional 29% equity interest (80% in total) through payment to ADN of a further cash consideration of \$200,000 within 10 business days of the election to continue to sole fund by EVN, and expenditure of an additional \$4.0 million (\$6.5 million in total) over a further 2 years (4 years in total) (Stage 2 Commitment);
- On completion of EVN's sole funding commitments, either party may elect not to contribute to a proposed joint venture program and budget, in which case their interest in the joint venture will be reduced in accordance with a standard industry dilution formula;
- If any party dilutes to less than 10% equity interest in the joint venture, then that party's interest will be deemed to have converted to a 2% net smelter return royalty payable with respect to any minerals produced from the project tenements, capped to a maximum of \$10.0 million.

The Company considers that the transaction will enable the Drummond Gold Project to be appropriately funded in order to explore a number of promising projects identified across the tenements to date using the skilled exploration resources of an experienced gold miner in the district.

Moonta Copper Gold Project

The Company's 100% owned Moonta Copper Gold Project is located towards the southern end of the world class Olympic Copper-Gold Province in South Australia and captures the historical 'Copper Triangle' mining district.

On 19 December 2018, the Company announced it had agreed commercial terms for a binding Earn-in and Joint Venture Agreement with copper in-situ recovery (ISR) focused Environmental Metals Recovery Pty Ltd (EMR) to form the Moonta ISR Joint Venture covering the northern part of the Moonta tenement. The principal terms of the agreement include:

- EMR can earn an initial 51% interest in the project area by sole funding \$2.0 million on project related activities within 4 years of execution of the Joint Venture Agreement (Stage 1 Commitment);

- EMR is required to spend a minimum of \$200,000 on the project in the first year and a further \$300,000 in the second year under the Stage 1 Commitment;
- On completion of Stage 1 Commitment, EMR may elect to acquire an additional 24% equity interest (75% in total) through expenditure of an additional \$3.5 million (\$5.5 million in total) over a further 3.5 years (7.5 years in total) (Stage 2 Commitment);
- On completion of EMR's sole funding commitments, ADN may elect not to contribute to a proposed joint venture program and budget, in which case its interest in the joint venture will be reduced in accordance with a standard industry dilution formula;
- If ADN dilutes to less than 10% equity interest in the joint venture, then its interest will revert to a 1.5% net smelter return royalty payable with respect to any minerals produced from the project area.

While the transaction will lead to significant effort directed towards evaluating and potentially development of copper ISR applications across the northern part of the Moonta Project, the Company still retains 100% ownership of the balance of the Moonta tenement, which is highly prospective for copper mineralisation, and is open to considering third party involvement to explore and evaluate this project area.

Pilbara Gold Project

Following acquisition of the two legal entities in December 2017 which together hold applications over three tenements prospective for conglomerate hosted gold mineralisation in the Pilbara Region, efforts have been directed towards working with respective Native Title groups to put in place heritage agreements, which is a requirement to having the tenement applications granted. Once the agreements are executed and the Company has title to the tenements, a decision will be made as to how best to progress the project.

Eyre Peninsula Gold Project

Following agreement of terms under a joint venture with Lady Alice Mines Pty Ltd (LAM) over the Company's Eyre Peninsula Gold Project in late 2017, LAM has undertaken a thorough review of the extensive project database and resource determinations for the project over the 2018 calendar year. Design of a new drilling program to follow-up and test results of this review in addition to the undertaking of a large calcrete sampling program and possible follow-up drilling of these new targets funded by LAM is scheduled to occur during the first half of 2019.

Thurlga Joint Venture

On 19 September 2018 Investigator Resources Limited provided the Company with formal notification that it had decided to withdraw from the Thurlga Joint Venture as manager and return the Thurlga tenement to the Company. Consequently the joint venture has been dissolved and the tenement was returned to ADN full ownership. The Company has subsequently made the decision to relinquish the Thurlga tenement given priorities directed towards advancing the Poochera Project.

Rover Copper Gold Project

The Rover Copper Gold Project covers 287 km² in the Rover Field southwest of Tennant Creek in the Northern Territory. The Rover field is prospective for ironstone hosted copper-gold deposits geologically identical to deposits found in the Tennant Creek Field, many of which exhibited high grades allowing them to be profitably mined in the past.

Andromeda Metals' strategy remains to progress Rover through third party funding with efforts directed towards finding suitable interested groups.

Outlook and Future Developments

The focus of the Company for the 2019 calendar year will predominantly be directed towards further advancing the Poochera Halloysite-Kaolin Project. Key steps include:

- Completion of the Scoping Study by June 2019;
- Commencement of more detailed feasibility studies;
- Undertake further drilling to test extensions to the current deposit at Carey's Well;
- Commence regulatory permitting and approval processes;
- Undertake environmental studies as part of the permitting process;
- Initiate exploration activities at the Camel Lake prospect;
- Complete commercial scale Chinese processing and application trials;
- Enter into binding offtake agreements for DSO and processed material;
- Decide upon a logistics solution for transportation of ore from site to market;
- Progress halloysite nanotechnology opportunities.

In addition, the Company will:

- Undertake initial exploration activities on the 100% owned Mount Hope kaolin tenement;
- Progress the Pilbara tenements to granting and determine how best to move forward with the Pilbara Gold Project,
- Continue to seek third party investment for the Company's Rover Copper Gold Project and the balance of the Moonta Copper Gold Project which is 100% owned by ADN.

Competent Person and JORC 2012 Compliance Statements

Information in this report has been assessed and compiled by Mr James Marsh, a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh an employee of the Andromeda Metals Limited and has sufficient experience, which is relevant to metal recovery from the style of mineralisation and type of deposits under consideration and to the activity being undertaking to qualify as a Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. This includes over 30 years of experience in kaolin processing and applications.

HPA Testwork Results

Information in this report relating to the Process Development Test Work is based on test work results completed by BHM Process Independent Consultants and compiled by Mr James Marsh, a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh an employee of the Andromeda Metals Limited has sufficient experience, which is relevant to metal recovery from the style of mineralisation and type of deposits under consideration and to the activity being undertaking to qualify as a Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. This includes over 29 years of experience in kaolin processing and applications. Mr Marsh consents to the inclusion of the technical data in the form and context in which it appears.

Carey's Well Mineral Resource

Information in this report that relates to Mineral Resource Estimates including Exploration Target for the Carey's Well Kaolin Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

Subsequent Events

On 28 February 2019, the Company issued a total of 271,076,923 ordinary shares under a share placement at an issue price of 0.65 cents per share to professional and sophisticated investors raising \$1,762,000 before costs to be used primarily to advance the Company's Poochera Halloysite-Kaolin Project in South Australia.

There has not been any other matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 9 of the half-year financial report.

Dated at Adelaide this 14th day of March 2019 and signed in accordance with a resolution of the directors.



James E Marsh
Managing Director



A N Shearer
Non-Executive Director

14 March 2019

The Board of Directors
Andromeda Metals Limited
69 King William Road
UNLEY SA 5061

Dear Board Members

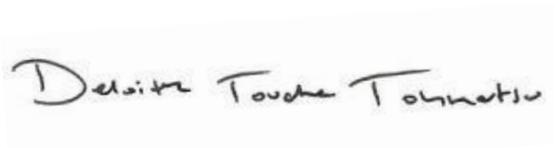
Andromeda Metals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Andromeda Metals Limited.

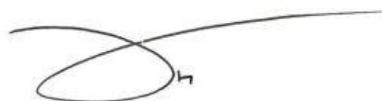
As lead audit partner for the review of the financial statements of Andromeda Metals Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
for the Half-Year ended 31 December 2018**

	Note	Half-Year Ended 31/12/18 \$	Half-Year Ended 31/12/17 \$
Revenue		4,068	2,026
Other income	2	506,462	167,556
Exploration expenditure written-off	3	(94,307)	(27,312)
Administration expenses		(150,745)	(159,672)
Corporate consulting expenses		(79,105)	(110,374)
Company promotion		(25,641)	(16,963)
Salaries and wages		(84,604)	(9,513)
Directors fees		(42,500)	(52,069)
Occupancy expenses		(27,600)	(27,600)
Share based remuneration		(117,370)	(98,426)
Loss before income tax		(111,342)	(332,347)
Income tax expense		(22,648)	(148,612)
Loss for the period		(133,990)	(480,959)
Other comprehensive income		-	-
Total comprehensive income for the period (loss)		(133,990)	(480,959)
Earnings Per Share			
Basic (cents per share) – (Loss)		(0.01)	(0.10)
Diluted (cents per share) – (Loss)		(0.01)	(0.10)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Financial Position
as at 31 December 2018**

	Note	31/12/18 \$	30/06/18 \$
CURRENT ASSETS			
Cash and cash equivalents		1,005,807	861,211
Trade and other receivables		148,515	33,110
TOTAL CURRENT ASSETS		1,154,322	894,321
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	3	6,106,917	5,341,279
Plant and equipment		7,543	7,750
Other financial assets		109,500	108,000
TOTAL NON-CURRENT ASSETS		6,223,960	5,457,029
TOTAL ASSETS		7,378,282	6,351,350
CURRENT LIABILITIES			
Trade and other payables		151,254	193,943
TOTAL CURRENT LIABILITIES		151,254	193,943
NON-CURRENT LIABILITIES			
Provisions		18,310	16,724
Other liabilities	9	975,517	975,517
TOTAL NON-CURRENT LIABILITIES		993,827	992,241
TOTAL LIABILITIES		1,145,081	1,186,184
NET ASSETS		6,233,201	5,165,166
EQUITY			
Issued capital	4	41,110,033	40,025,378
Reserves		549,749	432,379
Accumulated losses		(35,426,581)	(35,292,591)
TOTAL EQUITY		6,233,201	5,165,166

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2018

	Issued capital	Share Option Reserve	Employee Equity- Settled Benefits Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	38,055,344	-	36,433	(34,459,884)	3,631,893
Loss attributable to the period	-	-	-	(480,959)	(480,959)
Total comprehensive income for the period	-	-	-	(480,959)	(480,959)
Issue of share capital through a placement at 0.5 cents	1,006,309	-	-	-	1,006,309
Issue of share capital through a rights issue at 0.5 cents	985,631	-	-	-	985,631
Costs associated with the issue of shares	(495,371)	279,165	-	-	(216,206)
Related income tax	148,612	-	-	-	148,612
Shares issued on the exercise of listed options	27,596	-	-	-	27,596
Transfer from other liabilities on exercise of listed options	4,635	8,934	-	-	13,569
Shares issued on the exercise of unlisted options	22,500	-	-	-	22,500
Issue of shares for acquisition of Pilbara tenements	180,000	-	-	-	180,000
Issue of shares as part payment of director fees	40,412	-	-	-	40,412
Fair value of options issued to new directors	-	87,240	-	-	87,240
Fair value of shares issued to employees under the loan funded employee share plan	-	-	11,186	-	11,186
Balance at 31 December 2017	39,975,668	375,339	47,619	(34,940,843)	5,457,783
Balance at 1 July 2018	40,025,378	378,206	54,173	(35,292,591)	5,165,166
Loss attributable to the period	-	-	-	(133,990)	(133,990)
Total comprehensive income for the period	-	-	-	(133,990)	(133,990)
Issue of share capital through a placement at 0.6 cents	1,100,000	-	-	-	1,100,000
Costs associated with the issue of shares	(75,493)	-	-	-	(75,493)
Related income tax	22,648	-	-	-	22,648
Issue of shares as part payment of director fees	37,500	-	-	-	37,500
Fair value of options issued to directors	-	114,348	-	-	114,348
Fair value of shares issued to employees under the loan funded employee share plan	-	-	3,022	-	3,022
Balance at 31 December 2018	41,110,033	492,554	57,195	(35,426,581)	6,233,201

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Cash Flows for the
Half-Year ended 31 December 2018**

	Note	Half-Year Ended 31/12/18 Inflows (Outflows) \$	Half-Year Ended 31/12/17 Inflows (Outflows) \$
Cash flows related to operating activities			
Payments to suppliers and employees		(388,083)	(415,798)
Net cash used in operating activities		(388,083)	(415,798)
Cash flows related to investing activities			
Interest received		4,038	2,377
Refund of environmental bond		-	16,047
Payment of environmental bonds		(1,500)	-
Purchase of subsidiary companies		-	(100,000)
Payments for exploration and evaluation expenditure		(792,644)	(170,821)
Joint venture cancellation fee received		-	145,000
Payment received from joint venture partner		300,000	-
Proceeds received from R&D claim		-	-
Proceeds from sale of plant and equipment		-	4,000
Payments for plant and equipment		(1,722)	(1,533)
Net cash used in investing activities		(491,828)	(104,930)
Cash flows related to financing activities			
Proceeds from share and equity options issued		1,100,000	2,042,034
Payments for capital raising costs		(75,493)	(102,623)
Net cash provided by financing activities		1,024,507	1,939,411
Net increase in cash and cash equivalents		144,596	1,418,683
Cash and cash equivalents at beginning of financial period		861,211	268,336
Cash and cash equivalents at end of financial period		1,005,807	1,687,019

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Half-Year ended 31 December 2018

1. BASIS OF PREPARATION OF ACCOUNTS

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2018 annual financial report.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period, none of which have a material impact on the financial report.

Going Concern

The half-year report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the half-year report.

The directors have prepared cash flow forecasts which indicate that the current cash resources will be sufficient to fund planned exploration and evaluation expenditures, along with meeting all working capital requirements, without the raising of additional funds for the next 12 months from the date of this report. Beyond March 2020, additional funding will be required however in order to meet all exploration commitments in relation to the current project portfolio.

The directors are confident that the Company will be able to raise additional funding (which may include an offer to shareholders via a pro-rata issue or share purchase plan, a direct placement to professional and sophisticated investors or a sale or partial sale of some of the Group's exploration interests) and the Board continues to review various capital raising opportunities.

Based on the Group's cash flow forecast, the directors believe that the Group will be able to continue as a going concern.

2. OTHER INCOME

	Half-Year Ended 31/12/18 \$	Half-Year Ended 31/12/17 \$
Profit on sale of assets	-	4,000
Joint venture contribution fee	300,000	-
Joint venture management fee	123,941	-
Joint venture administration fee	81,278	-
Unrealised foreign exchange gain	796	-
Change in fair value of equity options	-	10,006
Sub-lease rent and administration charge	-	8,550
Joint venture cancellation fee received	-	145,000
Other income	447	-
	<u>506,462</u>	<u>167,556</u>

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/18 \$	Half-Year Ended 31/12/17 \$
Costs brought forward	5,341,279	4,358,222
Acquisition of tenements	-	331,642
Expenditure incurred during the year	859,945	144,590
	<u>6,201,224</u>	<u>4,834,454</u>
Expenditure written off	(94,307)	(27,312)
	<u>6,106,917</u>	<u>4,807,142</u>

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been, or are likely to be, surrendered \$94,307 (2017: \$27,312).

The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

4. ISSUED CAPITAL

	Half-Year Ended 31/12/18 \$	Half-Year Ended 31/12/17 \$
Fully paid ordinary shares	41,232,953	40,098,588
Treasury shares	(122,920)	(122,920)
	<u>41,110,033</u>	<u>39,975,668</u>

Movement in issued shares for the year:

	Half-Year Ended 31/12/18 No.	Half-Year Ended 31/12/18 \$	Half-Year Ended 31/12/17 No.	Half-Year Ended 31/12/17 \$
<i>Fully paid ordinary shares</i>				
Balance at 1 July	896,028,227	40,148,298	453,104,875	38,178,264
Placement at 0.6 cents	183,333,333	1,100,000	-	-
Placement at 0.5 cents*	-	-	201,261,718	1,006,309
Rights issue at 0.5 cents*	-	-	197,125,999	985,631
Issue of shares for acquisition of Pilbara tenements	-	-	30,000,000	180,000
Issue of shares as part payment of director fees	5,060,728	37,500	6,735,373	40,412
Exercise of listed options	-	-	2,299,681	27,596
Transfer from other liabilities on exercise of listed options	-	-	-	4,635
Exercise of unlisted options	-	-	1,500,000	22,500
Costs associated with the issue of shares	-	(75,493)	-	(495,371)
Related income tax	-	22,648	-	148,612
Balance at 31 December	1,084,422,288	41,232,953	892,027,646	40,098,588
<i>Treasury shares</i>				
Balance at 1 July	(9,940,000)	(122,920)	(9,940,000)	(122,920)
Change in treasury shares	-	-	-	-
Balance at 31 December	(9,940,000)	(122,920)	(9,940,000)	(122,920)
Total issued capital	1,074,482,288	41,110,033	882,087,646	39,975,668

* One free option per share with an exercise price \$0.012 and an expiry date of 30 November 2020 were also issued.

5. SHARE OPTIONS

During the half-year ended 31 December 2018 the Company issued the following share options:

	Number	Exercise Price	Expiry Date
Unlisted Share Options	20,000,000	\$0.012	15 November 2021

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2018.

7. SEGMENT INFORMATION

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future metal prices. Accordingly, the Group effectively operates as one segment, being exploration in Australia. This is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources within the Group.

8. SUBSEQUENT EVENTS

On 28 February 2019, the Company issued a total of 271,076,923 ordinary shares under a share placement at an issue price of 0.65 cents per share to professional and sophisticated investors raising \$1,762,000 before costs to be used primarily to advance the Company's Poochera Halloysite-Kaolin Project in South Australia.

There has not been any other matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial years.

9. OTHER NON-CURRENT LIABILITIES

The amount is a non-cash item and relates to deferred income (government grants received for exploration activities). This will be recognised as income when the corresponding capitalised expenditure is amortised or written-off.

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001

On behalf of the directors



J E Marsh
Managing Director



A N Shearer
Non-Executive Director

Adelaide, South Australia
14th March 2019

Independent Auditor's Review Report to the members of Andromeda Metals Limited

We have reviewed the accompanying half-year financial report of Andromeda Metals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Andromeda Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

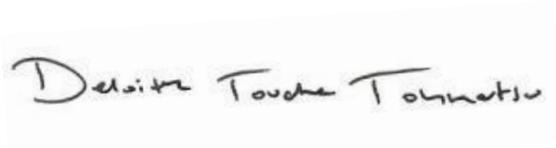
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Andromeda Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

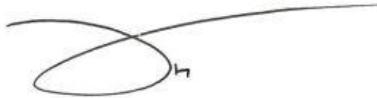
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Andromeda Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants
Adelaide, 14 March 2019